

VZCZCXYZ0007
RR RUEHWEB

DE RUEHLGB #0546/01 1581533
ZNR UUUUU ZZH
R 071533Z JUN 07
FM AMEMBASSY KIGALI
TO RUEHC/SECSTATE WASHDC 4270
INFO RUEHNR/AMEMBASSY NAIROBI 0888
RUEHDR/AMEMBASSY DAR ES SALAAM 0883
RUEHJB/AMEMBASSY BUJUMBURA 0074
RUEHKM/AMEMBASSY KAMPALA 1616
RUEHFR/AMEMBASSY PARIS 0244
RUEHKE/AMEMBASSY KINSHASA 0223
RUEHDS/AMEMBASSY ADDIS ABABA 0112

UNCLAS KIGALI 000546

SIPDIS

SIPDIS

ADDIS FOR LISA BRODY
DEPARTMENT FOR AF/C
DEPARTMENT PASS USTDA: UISZLER
DEPARTMENT PASS USTR: WJACKSON
DEPARTMENT PASS COMMERCE: RTELCHIN
DEPARTMENT PASS OPIC: BCAMERON

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EINV](#) [ENRG](#) [ETRD](#) [EPET](#) [BTIO](#) [RW](#)
SUBJECT: RWANDA MONTHLY ECONOMIC REVIEW

DEVELOPMENT PROJECTS / ISSUES

¶1. The Global Fund has pledged USD 59 million over the next five years to fight HIV/AIDS. The project will emphasize prevention, expanded access to anti-retroviral treatment, improved care, support of orphans and people living with AIDS, and improved linkage between tuberculosis and HIV services.

¶2. Sweden has increased annual aid to Rwanda by 28 to USD 30 million. 70 of the aid will go into direct budget support while the rest will be used to support the Nile Basin Initiative.

¶3. The U.S.-based NGO, Compassion International, shifted its regional office from Nairobi to Kigali. The Vice President for the Africa region, Mr. Laurent Mbanda, explained that Kigali is a very secure and clean city and that the GOR goes out of its way to welcome NGOs and investors.

¶4. The Italian Cooperation, through the United Nations Development Program (UNDP), plans to provide a grant of USD 767,000 to the agri-business sector in Rwanda. The grant will go towards rehabilitating a rice factory, purchasing rice processing machines, rehabilitation of marshlands, factory generators, drilling water bore holes, and purchasing storage cocoons.

¶5. A delegation from the Cologne Business School in Germany met with President Kagame to commit support in the development of the Rwandan tourism industry. The school intends to open vocational training institutions in Rwanda.

¶6. The European Union approved USD 45 million for the rehabilitation of 64 km road between the towns of Gisenyi and Ruhengeri. The project is part of a global financing package of USD 56 million which has three components including road construction, supervision of works, and institutional support for the Ministry of Infrastructure. The road construction will be carried out by a German company, STRABAG, while supervision will be ensured by a British firm, TR Engineering. Construction is scheduled to begin start July 1, 2007 and be completed by October 31, 2009.

COMMERCIAL OPPORTUNITIES / SUCCESSES

¶7. Elegant Africa, a British tourism company, will open a 6.2 hectare eco-tourism camp in the town of Musanze near the Virungus National Park. Mr. Marcell Claassen, director of the USD 1.3 million project, reported that the Ikoro Tented Camp will have a 70

seat restaurant, lounge bar, and tent camp ground.

¶18. President Paul Kagame hosted a delegation from the U.S.-based Burlington Northern Santa Fe (BNSF) Railway Corporation, to discuss the construction of a railway connecting Rwanda to Tanzania's dry port of Isaka. While the American firm does not currently express interest in bidding on the project directly, it has offered to provide the GOR assistance and oversight of the project.

¶19. Silverback, a Rwandan cargo airliner will soon begin regular direct flights from Kigali International Airport to Dubai, Shanghai, Lagos, Entebbe, Bujumbura, Kinshasa and Eldoret. This development comes at a time when Rwanda is positioning to be a regional cargo clearing centre and airline hub. It also signals confidence in increased Rwandan imports and exports, and brings more competition into a field dominated by SN Brussels.

¶10. The 4th international investment conference took place on May 28 and 29, attracting approximately 100 potential foreign investors. President Kagame and former Tanzanian President Benjamin Mkapa, current co-chairman of the Investment Climate Facility (IFC), opened the conference and signed an agreement to launch the Rwandan Investment Climate Project. The three year project USD 9 million project will address major legal and regulatory constraints through three inter-related components: commercial dispute resolution, business registration reform, land registration reform. The majority of the foreign investors attending the conference were Rwandans living overseas making exploratory visits to the country. Break-out sessions addressed opportunities and challenges in each of the sectors, and the Minister of Energy announced new pending regulations that will provide special incentives for investors in solar energy equipment.

MACROECONOMIC INDICATORS

¶11. The Ministry of Finance published, in May, macroeconomic summaries for the first quarter of 2007.

GDP Growth: 6.5

Inflation: 10.2

Core Inflation (net of food and energy prices): 5

Export Growth: 56.6

Import Growth: 31.1 (Note: overall trade balance remains at a 25 deficit)

¶12. The Rwandan franc appreciated 1% to 547 against the U.S. dollar.

¶13. Revenue collections by the Rwanda Revenue Authority have been strong, representing a 26% increase compared to the same period last year.

¶14. Government expenditures and net lending increased 81% from the same period last year. In fact, the GOR registered a 38 % budget deficit in the first quarter of fiscal year 2007, spending an additional USD 54 million than initially budgeted. Minister of Finance, James Musoni, explained that delayed donors grant disbursement and delayed parliament ratification action contributed to the deficit. Specifically, the GOR expected USD 100 million from donors while only USD 44 million was realized. In addition, the Parliament delayed ratification of a World Bank grant of USD 51 million.

ARIETTI